



Factors Affecting the Corruption Rate: Audit Opinion, Audit Findings, and Follow-up of Audit Results

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Abstract: This article discusses the factors that affect the level of corruption as the dependent variable. This study is a *literature review* that describes the effect of the audit opinion, audit findings, and follow-up on audit results on the level of corruption, this article is a study in applied administration to increase the literacy of the influence between variables for further research purposes. The literature review results are that audit opinion, audit findings, and follow-up on audit results affect the level of corruption.

Keywords: Corruption Level, Audit Opinion, Audit Findings, and Follow-up on Audit Results

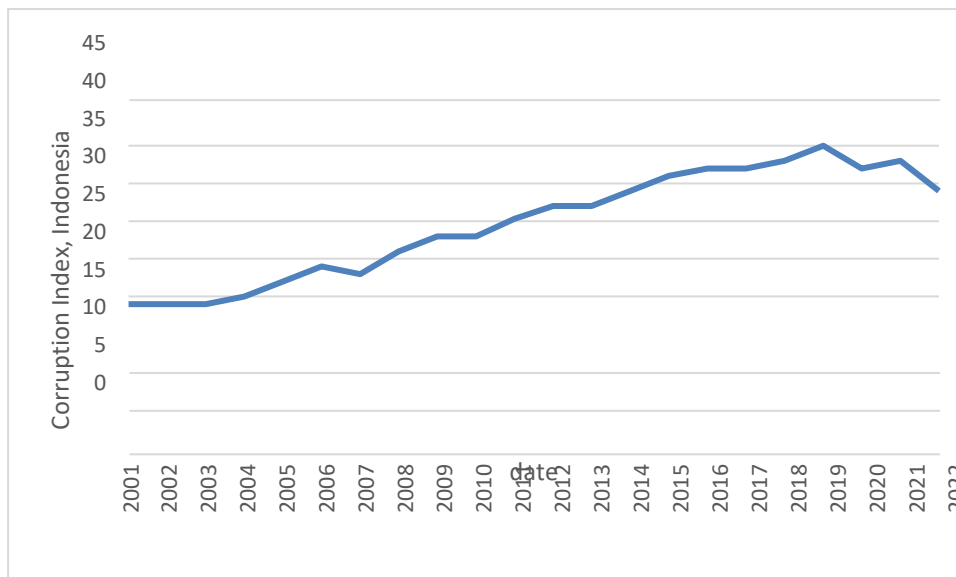
INTRODUCTION

At the beginning of 2023, the Indonesian people were shocked by the results of the corruption level assessment from *Transparency International* organization. Where Indonesia's Corruption Level Index (CPI) fell sharply by 4 points from the 2021 assessment. Indonesia's GPA score in 2022 was 34 (on a scale between 100 (very 'clean') and 0 (very corrupt), whereas previously in 2021 the GPA score was 38. This also made Indonesia's ranking drop from position 96 to position 110. This is a drastic decline since 1995. This result is also in line with the results of the BPS survey in 2022 where the corruption level dimension 2022 decreased from 3.83 to 3.80, a decrease of 0.03 points.

There is still rampant corruption in Indonesia because the existing system is still weak, and here are still many loopholes for acts of corruption. Systemic corruption has undermined the fundamental requirements of good governance, as it contradicts the principles of the rule of law, lowers public trust, and negatively impacts the political situation and stability, government accountability, effectiveness, and transparency (Mala, 2018). In addition to a weak system, no less important is the integrity of individuals, giving rise to corrupt behavior. The high level of corruption in Indonesia is also due to the culture in our society that still considers wrong practices as right because they have become a habit. The decline in GPA also indicates a decline

in public trust in the government as a state organizer.

President Joko Widodo in his response said that the decline in GPA in 2022 will be a correction and evaluation of the government in the future. Jokowi reminded all levels of government at the central and regional levels to improve the government administration system and public service system. This system is expected to prioritize transparency and accountability.



The government attempts to eradicate corruption by issuing several policies in the form of laws and regulations from the 1945 Constitution to Law Number 20 of 2001 concerning the Eradication of Corruption (Republik Indonesia, 2001). In addition, the government also established an inspection institution to prevent abuse and inefficient use of resources. The inspection function can be carried out through the audit process which plays a role in providing information or detecting fraud, such as excessive or missing expenditure of public resources (Olken, 2007). From 2016 to 2021 the BPK as the Financial Report examining agency has provided an Unqualified Opinion (WTP).

The opinion is given based on four criteria, namely conformity to government accounting standards, adequacy of disclosure, compliance with laws and regulations, and the effectiveness of the internal control system. However, the granting of WTP opinion by BPK does not necessarily mean that the government is free from corruption. This can be seen from the many hand-catching operations (OTT) from the KPK against state officials, both regional heads and ministers. Therefore, the author is interested in raising the theme of the relationship between audit opinion, audit findings, and follow-up on audit results on the level of corruption.

Based on the background, it can be formulated the problems that will be discussed to build hypotheses for further research, namely:

1. Does audit opinion affect the level of corruption?
2. Do Audit Findings affect the level of corruption?
3. Does the follow-up of audit results affect the level of corruption?

THEORETICAL STUDIES

Corruption Level

Cris Kuntadi in the book Cheating Control System (Sikencur) divides corruption into four things, namely: a) conflict of interest, b). Bribery, c). illegal gifts, d). Economic extortion. Meanwhile, in Law Number 31 of 1999 in conjunction with Law Number 20 of 2001, corruption is categorized into seven types, namely state financial losses, conflicts of interest in

the procurement of goods and services, extortion, embezzlement in office, bribery, fraud, and gratuities.

There is no international definition of corruption that is the only worldwide reference. Corruption is a term derived from the Latin, "corruption" from the verb "corrupter", which has the meaning of rotten, damaged, destabilizing, twisting, bribing, stealing, and thieving. In the Oxford dictionary, the definition of corruption is dishonest or illegal behavior, especially by people in authority. Meanwhile, according to the Big Indonesian Dictionary (KBBI), the definition of corruption is the misappropriation or misuse of state money (companies, organizations, foundations, and so on) for personal gain or others.

According to the World Bank, corruption is "the abuse of public power for private gain". In the public sector, it relates to the efforts of public officials in the executive, legislature, or judiciary who abuse public power for personal gain or their colleagues, (Fijnaut & Huberts, 2002; Mala, 2018).

Kartono (Afif, 2017), corruption is the behavior of individuals who take advantage of and harm the public interest by using authority and position. Corruption according to Huntington (2008: 57) is the behavior of public officials who deviate from the norms accepted by society, and this deviant behavior is aimed at fulfilling personal interests. So it can be concluded that corruption is a fraudulent act that harms the State and the wider community in various modes.

Audit opinion

In the dictionary of accounting standards, Ardiyos (2007) states that the definition of opinion is a report issued by a registered public accountant, which is the result of an assessment of the fairness of a report presented by an entity to an accountant or auditor. In the dictionary of accounting terms, Tobing's (2004) auditor opinion is a report provided by a registered auditor. This statement is characterized by an examination that has been carried out by the norms and rules of an accountant examination. And followed by the existence of financial statements that have been examined resulting in a fair opinion.

Kuntadi (2020) states that the auditor's opinion is the result of the independent auditor's conclusion that the company's financial statements are by auditing standards. From the results of the examination, the auditor will provide an opinion statement in the form of: unqualified opinion, qualified opinion, no opinion, and unfair opinion. According to Law Number 15 of 2004 concerning Audit of State Financial Management and Responsibility article 1 point 11 (Republik Indonesia, 2004), the state audit opinion is a professional statement as the examiner's conclusion about the level of fairness of the presentation of information in the financial statements. The criteria for giving an opinion are conformity with government accounting standards, *adequate disclosures*, compliance with laws and regulations, and the effectiveness of the internal control system.

Verawaty (2019) reveals that the level of accountability of financial statements reflected in the audit opinion of financial statements that shows the level of fairness is believed to be able to contribute to efforts to reduce corrupt practices.

Audit Findings

According to BPK RI, 2020, audit findings consist of two types, namely findings on the internal control system (SPI) and findings on non-compliance with legislation. Huefner (2011) states that to prevent fraud, one way is to have a strong internal control system. Because the possibility of corruption will increase with more findings of internal control weaknesses. Anjani. et.al (2018) reveal that audit findings are a collection of data sets and information, processed and tested during carrying out audit tasks on certain agency activities which are presented analytically according to their elements which are considered useful for interested parties. Audit findings explain that something that is either current or past (histories) and that

may occur in the future has an error (Afif, 2017).

According to the State Financial Audit Standards (SKPN) prepared by BPK, audit findings are findings on internal control, findings on compliance with laws and regulations, and findings of fraud and non-compliance, which are then reported in the audit report. Audit findings can be said to be the result of an examination by the Supreme Audit Agency (BPK) which shows findings both findings on internal control and findings on non-compliance with legislation (Ruselvi. et.al, 2020).

According to Arsana (2016), in auditing science, an audit finding must at least fulfill the following attributes: 1). Conditions, which are the actual circumstances or events in the audit findings that exist during the audit process carried out and completed. 2). Criteria, which is what should happen to an activity or all written rules that are the basis for planning. 3). Cause, is when there is a non-conformity or deviation, the cause of the deviation must be identified by the auditor. 4). Consequence is a direct or indirect consequence due to the implementation of activities (what has happened) that are not by the rules (what should happen). 5). Recommendation, which is the auditor's advice based on expertise to the auditee to do something (what is recommended).

Follow-up on audit results

Follow-up on audit results is an indicator that can be used to determine the accountability of a local government by looking at the extent to which the local government is active in following up on audit recommendations from the Supreme Audit Agency (Ruselvi. et.al, 2020). Lin and Liu (Kuntadi. et.al, 2014) say that reporting findings are the main step that must then be followed by holding the auditee accountable and taking corrective steps. Audit follow-up is the steps that must be taken by the auditor after the audit report is submitted to the *auditee*. Audit follow-up is an activity to identify and document the *auditee's* progress in implementing audit recommendations.

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1. Assist executives in directing the actions to be taken regarding the audit results they receive.
2. Evaluate the performance of the audit organization itself
3. Provide input for strategic planning of performance audits at audit institutions.
4. Encourage *auditee* learning and development

Table 1: Relevant previous research

No.	Author (year)	Previous Research Results	Similarities with this article	Differences with this article
1	Verawaty (2019)	Audit Opinion, Audit Findings do not affect the level of corruption, while Follow-up on Audit Results has a positive and significant effect on the level of corruption.	<ul style="list-style-type: none"> • Variable X (Independent) consists of Audit Opinion, Audit Findings, and Follow-up of Audit Results 	<ul style="list-style-type: none"> • Control Variables Government Expenditure Size, Capital Expenditure and Human Development Index

No.	Author (year)	Previous Research Results	Similarities with this article	Differences with this article
			<ul style="list-style-type: none"> Variable Y is the Corruption Rate 	
2	Ningsih and Haryanto (2022)	Audit Opinion, Audit Findings do not affect the level of Corruption	<ul style="list-style-type: none"> Variable X (Independent) consists of Audit Opinion, Audit Findings Variable Y is the Corruption Rate 	<ul style="list-style-type: none"> Transparency as one of the variables X
3	Rini (2017)	Audit Opinion, Audit Findings do not affect the level of corruption, while Follow-up on Audit Results hurts the level of corruption.	<ul style="list-style-type: none"> Variable X (Independent) consists of Audit Opinion, Audit Findings, and Follow-up of Audit Results Variable Y is the Corruption Rate 	<ul style="list-style-type: none"> Has a Government SizeControl Variablein the form of the Proportion of expenditure to GDP
.4	Anjani (2018)	<ul style="list-style-type: none"> audit opinion hurts perceptions of corruption. Audit findings have a positive effect on perceptions of corruption 	<ul style="list-style-type: none"> Variable X (Independent) consists of Audit Opinion, Audit Findings Variable Y is the Corruption Rate 	<ul style="list-style-type: none"> Does not test the follow-up variable of auditfindings
.5	Afif (2017)	Audit opinion and follow-up on audit results have an influence but are notsignificant on perceptions of corruption, while the audit findings variable has a significant effect on perceptions of corruption.	<ul style="list-style-type: none"> Variable X (Independent) consists of Audit Opinion, Audit Findings, and Follow-up of Audit Results 	<ul style="list-style-type: none"> Variable Y is Corruption Perception
6.	Aminah(2020)	Follow-up on audit results has a negative effect on the level of corruption, while accountability and audit findings have no significant effect on the level of corruption.	<ul style="list-style-type: none"> Variable X (Independent) consists of Audit Findings and Follow-Up on Audit Results Variable Y is the Corruption Rate 	<ul style="list-style-type: none"> Accountability as one of the X variables
7.	Sari (2015)	the indirect effect of audit findings, follow-up of examination results, and capacity of financial management operators on audit opinion through the level of disclosure of financial statements as an intervening the variable is positive and significant.	<ul style="list-style-type: none"> Variable X (Independent) consists of Audit Findings and Follow-Up on Audit Results 	<ul style="list-style-type: none"> Quality of human resources as one of the variables X Variable Y Audit opinion

No.	Author (year)	Previous Research Results	Similarities with this article	Differences with this article
8.	Masyitoh (2015)	<ul style="list-style-type: none"> • audit opinion and follow-up on audit results have a negative effect on perceptions of corruption. • Audit findings on weaknesses in the internal control system have no effect on perceptions of corruption. Audit findings on non-compliance with laws and regulations have a positive effect on perceptions of corruption. 	<ul style="list-style-type: none"> • Variable X (Independent) consists of Audit Opinion, Audit Findings, and Follow-up of Audit Results • Variable Y is the Corruption Rate 	

METHOD

The method of writing this scientific article is a qualitative method and literature review. Examine theories and relationships or influences between variables from books and journals both *offline* in the library and *online* sourced from Mendeley, Scholar Google, and other online media.

In qualitative research, the literature review must be used consistently with methodological assumptions. This means that it must be used inductively so that it does not direct the questions asked by the researcher. One of the main reasons for conducting qualitative research is that there search is exploratory, (Ali & Limakrisna, 2013).

DISCUSSION

Based on the relevant theoretical studies and previous research, the discussion of *this literature review* article is:

1. The Effect of Audit Opinion on the Level of Corruption.

Audit opinion has a negative effect on the level of corruption, where the better the audit opinion obtained by an audited entity, the lower the potential for corruption in that entity. However, based on research from (Rini, 2017), (Ningsih, 2022), and (Verawaty, 2019) proves that the audit opinion obtained does not affect the level of corruption. This is what is seen at this time where there are still many cases of corruption in the regions and the central government even though they have received a WTP opinion.

The audit opinion is the result of the audit process and is one of the factors that can describe the quality of an audit (Wibowo and Rossieta, 2009). The same thing is also stated by Setyowati (2013) who argues that the quality of local government financial management can be known from the audit opinion obtained so that local government audit opinion is used as a consideration by the central government in assessing local government performance. The relationship between audit opinion and local government performance has been proven empirically by Virgasari (2009) where audit opinion has a significant positive effect on local government performance.

This proves that the better audit opinion obtained by the local government shows a good assessment of local government performance. Local government performance that is considered good can show the low potential for irregularities in the government environment in the area. This is in line with the opinion of (Tobing, 2004) that audit opinion is an important

factor that serves as a benchmark for the effectiveness of supervision and assessment of the financial management performance of regional agencies so that perceptions of corruption can be minimized.

Audit opinion has a negative effect on the level of corruption, this is in line with research conducted by: (Ismunawan, 2015).

2. The effect of audit findings on the level of corruption.

Audit findings affect the level of corruption, where the more audit findings, the higher the potential level of corruption. This is in accordance with the research of Masyitoh (2015) and Afif (2017), Anjani (2018). The potential level of corruption is greater if the audit findings are obtained for non-compliance with laws and regulations. Conversely, if there are fewer audit findings, there is less possibility of corruption in the internal control system and non-compliance with legislation.

Huefner, Ronald J (2011) states that the main way to prevent fraud is with a strong internal control system. However, research (Rini, 2017) shows that more audit findings mean a lower level of corruption committed by local governments. This is because any findings found by the audit need to be followed up first for more details (Shohib and Haryanto, 2014). This can also be because audit findings are not always in the form of corruption, but can also only be misstatements in the financial statements, and internal control weaknesses that are not material and do not have the potential for criminal acts of corruption.

Audit findings affect the level of corruption, this is in line with research conducted by: (Kiswanto, et.al, 2019), (Azhar, 2015), (Liu and Lin, 2012)

3. The effect of follow-up on audit results on the level of corruption.

Follow-up on audit results has a negative effect on perceptions of corruption. Liu and Lin (2012) stated that the level of corruption in China is lower if the government follows up on the audit recommendations provided by the auditor. According to Umar (2012) with input from auditors, decision-makers can stop and prevent the recurrence of errors, irregularities, fraud, and waste. By following up on what has been recommended by the auditors of the Supreme Audit Agency (BPK), the provincial government can reduce its corruption rate because it has made efforts to correct errors, internal controls, and performance.

Law No. 15 of 2004 (Republic of Indonesia, 2004) explicitly states that officials must follow up on recommendations in the Audit Report and must provide answers or explanations to BPK on the follow-up to these recommendations. Follow-up of audit recommendations is an activity and or decision made by the examined official and/or other competent parties to implement the recommendations of the BPK audit results.

Follow-up on audit results hurts the level of corruption, this is in line with research conducted by: (Tobing, 2004), (Lukfiarini, 2018)

Conceptual Framework

Based on the formulation of the problem, theoretical studies, relevant previous research, and discussion of the influence between variables, the thinking framework of this article is as below.

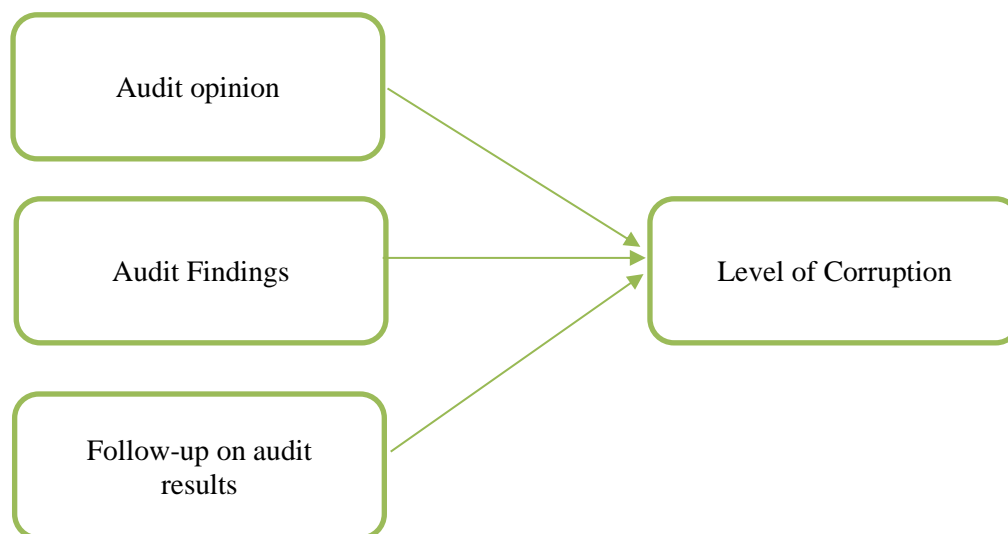


Figure 1: Conceptual Framework

Based on the conceptual framework above, then: Audit opinion, Audit Findings, and Follow-up on audit results affect the level of corruption.

Apart from these three exogenous variables that affect the level of corruption, many other variables affect it, including:

- a) Economic Growth (Masyitoh, 2015), (Rini, 2017)
- b) Government Size (Verawaty, 2019), (Rini, 2017)
- c) Accountability (Aminah, 2020), (Ningsih and Haryanto, 2022)

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on theory, relevant articles, and discussion, hypotheses can be formulated for further research:

1. Audit opinion affects the level of corruption.
2. Audit findings affect the level of corruption.
3. Follow-up on audit results affects the level of corruption.

Advice

Based on the above conclusions, the suggestion in this article is that there are many other factors that affect the level of corruption, apart from audit opinion, and audit findings, therefore further studies are still needed to find other factors that can affect the level of corruption apart from the variables examined in this article. These other factors are economic growth, level of accountability, and leadership characteristics.

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